

The Missouri Strategic Initiative for Economic Growth  
Letter to the Committee

October 11, 2010

Dear Steering Committee,

I apologize that I will not be able to join you for the October meeting of the Missouri Strategic Initiative for Economic Growth. I do, however, want to share my thoughts on economic development opportunities within the industry I am most familiar with – the Missouri dairy industry.

My wife Jan and I are proud partners of M&M Dairy, in Rogersville, Mo. On our farm, we milk 250 Holstein dairy cattle every day. We also are currently partners in Grassland Consultants LLC, a grazing dairy operation in Monett, Mo. Besides my farming operations, I am a leader in the dairy industry, serving on many boards and committees. Specifically, I currently serve as the chairman of my cooperative, Dairy Farmers of America, Inc., the nation's leading milk marketing cooperative. I also serve as the chairman of the nation's foremost dairy advocacy association, the National Milk Producers Federation.

I join many in believing that Missouri can be restored to the dairy state it once was. If we develop the proper environment for the growth and development of the dairy sector, we can meet consumer and manufacturing demands for a local, fresh supply of fluid milk, and ensure the health of our rural economies through manufacturing and processing jobs created by the dairy industry.

### Missouri's Dairy Farms

In 1995, there were 3,377 dairy farms that called Missouri home; in 2009, there were only 1,740 dairy farms remaining. This equates to a 48 percent reduction over the past 15 years, far above the national average of 20 percent. Additionally, the state's dairy infrastructure is aging, and has not received the proper capital investment to compete with other states across the United States that are actively advocating the growth and development of their dairy sector. This lack of investment not only impacts families on dairy farms, but it also impacts the communities in which these dairy families interact on a daily basis. In fact, based on calculations by the U.S. Bureau of Economic Analysis, every \$1 million worth of milk sold by Missouri farmers generates \$3.1 million in economic growth in the state.

### Manufacturing

In addition to dairy production, Missouri has substantial processing and manufacturing facilities. The state ranks high in terms of production volume, placing in the top 10 states for five different manufacturing categories (Table 1.).

Table 1. Missouri Dairy Manufacturing Rankings			
Category	Metric	Unit of Measure	U.S. Rank
Ice Cream Mix	13.1	million gallons	4th
Low-fat Ice Cream	17	million gallons	6th
Sherbet	1.3	million gallons	7th
Regular Ice Cream	23.4	million gallons	8th
Cottage Cheese Curd	6.9	million pounds	9th
Dairy Plants	16	Plants	19th

These manufacturing facilities add jobs, economic stability and a strong tax base for the local communities. The impact of the dairy industry in Missouri is not just an impact at the farm level. The impact of the dairy industry is throughout the entire value chain.

### Dairy Consumption

From 2004 to 2008, the population of Missouri grew by 2.6 percent while per capita dairy consumption and state dairy consumption grew by 2.3 percent and 5 percent, respectively. During this time, state milk production declined by 12.6 percent. This imbalance contributed to an overall deficit in the state milk supply of more than 2 billion pounds (Table 2.) in 2009. In order to fill their facilities to meet consumer demand, manufacturers and processors must receive out-of-state milk and pay increased transportation costs to haul it to their facilities. If Missouri's milk production continues to decline, thereby increasing transportation costs for out-of-state milk, the state risks the loss of these processors and manufacturers and the jobs associated with them.

Table 2. Missouri Dairy Consumption					
Year	Population	Per Capita Consumption (pounds of milk equivalent)	State Consumption (pounds of milk equivalent)	State Production (pounds)	Estimated Deficit (pounds)
2004	5,759,532	593	3,415,402,476	1,847,000,000	(1,568,402,476)
2005	5,800,310	598	3,468,585,380	1,875,000,000	(1,593,585,380)
2006	5,837,639	607	3,543,446,873	1,840,000,000	(1,703,446,873)
2007	5,878,415	607	3,568,197,905	1,678,000,000	(1,890,197,905)
2008	5,911,605	608	3,594,255,840	1,615,000,000	(1,979,255,840)
2009	5,987,580	611	3,658,411,380	1,558,000,000	(2,100,411,380)

### Missouri State Dairy Industry Impact (Table 3.)

As shown in table 3, total revenues during 2008 from annual Missouri milk production were \$303.5 million; however, the total impact from milk sales was \$943.6 million according to U.S. Bureau of Economic Analysis economic multiplier analysis. Adding farm wage data from the Bureau of Labor Statistics (BLS) and using a household earnings multiplier generates an additional \$27.3 and \$187.7 million for a total statewide impact of \$1.439 billion from the milk production sector alone.

The dairy processing and manufacturing sector also adds benefit to Missouri. BLS data estimates add an additional 6,793 jobs and \$307.5 million in wages from manufacturers.

It is not difficult to see the importance of the dairy sector on the state's economy.

Table 3. Missouri Dairy Economics		
Category	Metric	Unit of Measure
2008 All Milk Price	\$18.79	per cwt.
Value of Milk Produced	\$303.5	million
Economic Impact	\$943.6	million
Employees in Dairy Farming	1,078	
Employee Payroll	\$27.3	million
Household Earnings Impact	\$187.7	million
Total Dairy Production Impact	\$1.44	billion

### Opportunities and Challenges to Dairy Industry Growth

The state of Missouri has plant capacity to fill. As mentioned above, Missouri's dairy manufacturers are currently importing raw milk — nearly 30 percent of their processing needs —

from out of state. At the same time, Missouri's producers want to continue to produce a local, fresh supply of milk. Many others want to grow their herds and their operations. In addition, because of the climate and access to quality feed, producers from other states and countries have expressed interest in developing dairies in the state. We have a need for more milk and a desire to provide it, yet the state's environment has not fostered the needed development.

We must begin meeting our state's need for raw milk. The state of Missouri must see itself as a partner in this growth and development.

There are many challenges to the growth of the dairy industry in general. In general, the dairy industry has suffered through two years of severe economic losses. A global supply/demand imbalance has led to historically low milk prices for dairy producers. These prices, coupled with high input and other farm costs, have led to devastation in the dairy industry. Credit is tight as dairy producers face another year with thin margins. For many, it will take several years to rebuild the equity lost over the last two years.

Farms in Missouri were hit hard by the dairy economy as well. I will note, however, that a number of Missouri's farms are now intensive rotational grazing operations, and they were partially protected from the negative impact of high input and other farm costs as compared to confinement operators. Grazing operations seek to maximize the production and intake of high-quality, high-energy pastures as feed for their herds, as opposed to purchased hay and concentrate.

The only substantial growth in the dairy industry in Missouri this past decade has been the development of pasture-based dairies through investor farms. In the last five years, these dairies have grown to the point where they now account for at least 10 percent of Missouri's dairy cows. State law regarding the ownership of farm land, however, has limited this type of growth in the state.

Missouri is rightfully proud to be ranked the number three beef cow/calf state in the United States with 1.97 million beef cows in inventory on our state's pastures as of January 2010. Missouri had 102,000 dairy cows at this point. According to research from the University of Missouri, however, every time a beef cow is replaced by a dairy cow in the state, the total economic impact on Missouri's economy increases by a factor of 10. In other words, there is a huge opportunity to raise the value of our state's pasture resource by developing our dairy industry.

For me personally, I feel I may be limited in the added value I can receive for my milk. As the operator of a grazing dairy, I am producing milk that, solely because it is produced from cows on pasture, has substantial health benefits to consumers. For example, some studies have shown that cows that consume grasses produce milk that contains higher levels of omega-3 fatty acids, which are known as essential to normal growth and health and which have recently been found to aid in the reduction of the risk of coronary heart disease. If more milk was being produced under these circumstances, the chance to develop a Missouri-specific, pasture-based product would be an option. Supporting the successful pasture-based model in Missouri will be ensuring economic development in many areas of the state, especially hard-hit rural areas.

As an industry, we are seeing fewer young people enter the dairy industry. The national producer population continues to age and Missouri's dairymen and women are no different. According to the U.S. Department of Agriculture's recent census, 40 percent of Missouri's dairy farmers are over age 55. Something must be done to incentivize young people into the industry. At a national level, we are developing long-term farm policy that will be appealing to the next generation, but if Missouri is serious about growing the dairy sector in the state, they must also provide incentives in the near term.

Dairy producers raise their herds on the same land that they raise their families. We are good stewards and know firsthand the importance of protecting the water and soils which feed our family and families in the community. In some counties of the state, baseless health ordinances have been pursued and passed, with little opportunity for comment or regard for those operating farms within the county's boundaries. These county health ordinances stifle growth and drive producers to exit the state. These ordinances not only negatively impact the dairy sector, but swine and beef cattle as well. They must be reviewed more carefully and allow for more public comment before they are voted on. Without these dairy and other operations to frequent local farm supply stores, cafes and grocery stores, many rural areas find their local storefronts going empty. This in turn drives people away from these small towns, resulting in even less commerce. It is a cycle that results in rural communities losing shops and jobs, then their health care provider and other services.

In conclusion, I request that the Missouri Strategic Initiative for Economic Growth strongly look toward economic development opportunities in rural Missouri to serve as the backbone to growing a stronger state economy. There are many opportunities, some of which I have outlined above, which could be pursued. The state must support the growth of the experienced operators already milking. It must provide regulatory assurances for those who are good stewards of their natural resources, cost-share grants to modernize milking facilities, incentives to grow herds and financial assistance to develop Missouri-specific, value-added dairy products. We must not just accommodate, but recruit those interested in relocating to the "Show-Me State," and we must seek ways to incentivize young people into this noble profession to ensure that we can feed ourselves in the future.

I am committed to working with all of you on this very important issue and look forward to joining you at a future meeting. Thank you for the opportunity to show my sincere support for growing and sustaining a thriving dairy industry in our great state.

Best regards,

A handwritten signature in black ink that reads "Randy Mooney". The signature is written in a cursive, flowing style.

Randy Mooney  
Lifelong dairy producer